

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 19-045

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
d/b/a EVERSOURCE ENERGY**

Petition for Approval of Financing Transaction

Order Approving Petition

O R D E R N O. 26,240

April 26, 2019

In this order, the Commission authorizes Public Service Company of New Hampshire d/b/a Eversource Energy to borrow up to \$300 million between now and December 31, 2019.

I. EVERSOURCE'S PETITION

On March 1, 2019, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource or Company) filed a petition pursuant to RSA 369:1 for authorization to issue long-term debt securities, through December 31, 2019, in an amount up to \$300 million in aggregate principal, and to mortgage property in connection with the long-term debt issuance.

The Office of the Consumer Advocate (OCA) filed a letter of participation pursuant to RSA 363:28 on March 4, 2019. The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted at <http://www.puc.nh.gov/Regulatory/Docketbk/2019/19-045.html>.

With its petition, Eversource provided testimony, information required by the applicable parts of N.H. Code Admin. Rules Puc 308, Form F-4 information, and a description of Eversource's authorized and outstanding long-term debt, capital stock, and short-term debt.

With respect to the proposed financing, Eversource said it would use the proceeds to: (1) refinance short-term debt; (2) finance capital expenditures for its distribution and transmission businesses; (3) pay at maturity its \$150 million, 4.50 percent first mortgage bonds, Series P, due December 1, 2019; and (4) fund working capital needs. Eversource also attached its proposed 2019 construction budget to the petition. The Company asserted that the purpose of the financing is in the public good and, therefore, should be authorized under RSA 369:1.

To implement the financing, Eversource proposes to issue and sell up to \$300 million in aggregate principal amount of long-term debt in the form of first mortgage bonds (Bonds), with a maturity ranging from 1 to 30 years, during the period from the date of the Commission's order through December 31, 2019. Approximately \$196.6 million of the proposed debt securities issuance would refinance existing debt and approximately \$100.0 million (less \$3.31 million in estimated issuance costs) would represent new indebtedness.

To achieve favorable financing terms, Eversource seeks flexibility. It requested authority to use either the public or private debt markets, with the following proposed parameters: (1) the aggregate principal amount of long-term debt issued during the authorization period will not exceed \$300 million; (2) the long-term debt will be in the form of secured first mortgage bonds; (3) debt maturity will range from 1 to 30 years; and (4) the coupon rate will be consistent with market rates for an instrument of similar maturity and risk at the time of the issuance, limited to no more than 300 basis points (i.e., 3 percent) above the applicable Treasury Bond rate.

The Company proposes to price the Bonds at a fixed rate to be determined at the time of the closing, based on either the 10- or 30-year U.S. Treasury rate plus the proposed credit spread. Eversource said that a three percent credit spread would provide the Company with sufficient flexibility in the event of an unanticipated increase in rates due to uncertainty or volatility in the

capital market. Consequently, Eversource said that the final terms and conditions, amounts, documentation, and rate would be determined at the time of issuance.

Eversource calculated, on a pro forma basis, that the new debt of \$100 million, plus the refinance of the current \$46.6 million in short-term debt as of September 30, 2018, would result in an increase in annual interest expense from approximately \$56.3 million to \$60.8 million.¹ The combined effect of the debt issuance fee and the increase in interest expense would result in a reduction to Eversource's retained earnings of \$3.3 million.

Eversource projects that the proposed financing would not have a significant impact on the Company's current capital structure. Eversource's current capital structure is 46 percent debt and 54 percent equity. After the financing, the capital structure would be 47.6 percent debt and 52.4 percent equity. The Company represented that it expects to maintain a post-issuance equity ratio of 54 percent through additional earnings and capital contributions from Eversource in 2019.

Eversource requested that the Commission authorize the Company to borrow up to \$300 million through the issuance of long-term debt securities. In addition, the Company asked the Commission for authority to mortgage its property in connection with the issuance of Bonds. Eversource requested that the Commission find that the transaction is consistent with the public good and is therefore authorized and approved under the provisions of RSA Chapter 369.

II. POSITIONS OF THE OCA AND STAFF

Staff filed its recommendation on April 16, 2019. Based on its review, Staff recommended that the Commission approve the petition. Staff noted that the new indebtedness would have only a modest impact on the Company's cost of debt and the associated revenue

¹ The pro forma \$46.6 million short-term debt amount is based on Eversource's 2018 third quarter results; at year end, Eversource had \$57 million in short-term debt.

requirements. Staff concluded that approval of the petition would be in the public good and conforms with the standards of RSA Chapter 369. On April 25, 2019, the OCA filed a letter concurring with Staff's recommendation.

III. COMMISSION ANALYSIS

RSA 369:1 states that a utility "may, with the approval of the commission but not otherwise, issue and sell ... notes and other evidence of indebtedness payable more than 12 months after the date thereof for lawful corporate purposes." The Commission must conduct a "hearing or investigation as it may deem proper," then authorize the financing "if in its judgment the issue of such securities upon the terms proposed is consistent with the public good."

RSA 369:4. The Commission reviews the amount to be financed, the reasonableness of the terms and conditions of the proposed use of the proceeds, and the effect on rates. *Appeal of Easton*, 125 N.H. 205, 211 (1984).

The rigor of an *Easton* inquiry varies depending on the circumstances of the request. We engage in a more limited review for routine financing requests. *Public Service Co. of N.H.*, Order No. 25,050 at 13-14 (December 8, 2009). A routine request is one that will have no perceptible impact on rates or deleterious effect on capitalization, and in which the funds are to enable numerous investments appropriate in the ordinary course of utility operations. *Id.* at 13. A routine request calls for a more limited examination of whether the "use of financing proceeds [is] in the public good without further review of possible alternative uses of the funds." *Id.* at 16.

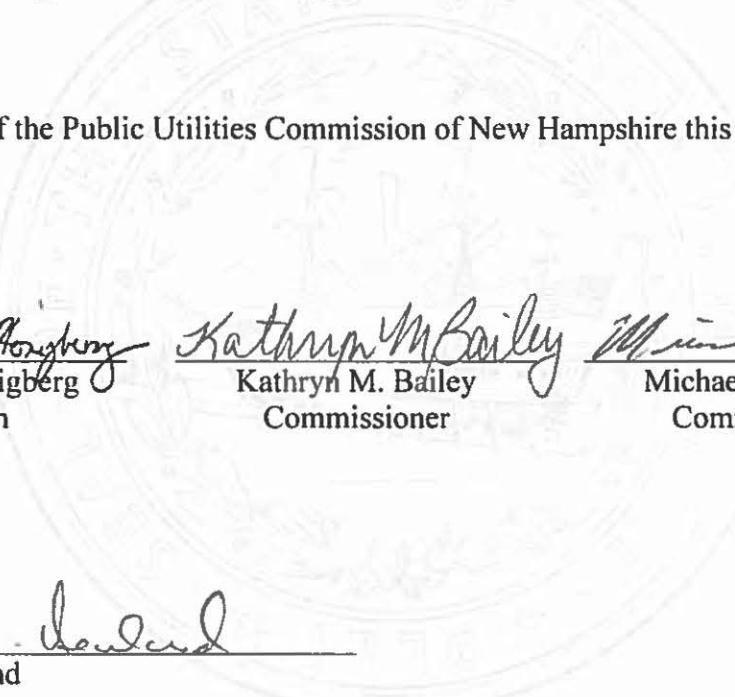
The purpose of the financing is to refinance Eversource's short-term debt, finance capital expenditures for its distribution and transmission businesses, pay at maturity the first mortgage bonds due December 1, 2019, and fund working capital needs. We find Eversource's request to be routine. The terms and conditions are reasonable, will not have a perceptible impact on rates,

and will enable investments in the ordinary course of operations. When reviewing a routine financing request, we limit our review to whether the use of the financing proceeds is in the public good. RSA 369:4. Accordingly, we find Eversource's intended use of the proceeds from the financing, and the financing itself, to be in the public good.

Based upon the foregoing, it is hereby

ORDERED, that the request of Public Service Company of New Hampshire d/b/a Eversource Energy for approval of its proposed financing transactions, specifically borrowing up to \$300 million through the issuance of long-term debt securities as described herein, is hereby **APPROVED**.

By order of the Public Utilities Commission of New Hampshire this twenty-sixth day of April, 2019.


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Martin P. Honigberg
Chairman

Kathryn M. Bailey
Kathryn M. Bailey
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